

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate
increase by Peoples Gas System.

DOCKET NO. 020384-GU

ISSUED:

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-02-1031-PCO-GU, filed July 31, 2002, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Roger W. Fletcher

Joseph W. Rohrbacher

b. All Known Exhibits

RWF-1 Engineering Evaluation, Vol. 1

RWF-2 Engineering Evaluation, Vol. 2

JWR-1 Audit Report

Peoples Gas System's Response to Staff's Interrogatory No. 1

Peoples Gas System's Response to Staff's Interrogatory No. 2

Peoples Gas System's Response to Staff's Interrogatory No. 3

Peoples Gas System's Response to Staff's Interrogatory No. 61

Peoples Gas System's Response to Staff's Interrogatory No. 62

Peoples Gas System's Response to Staff's Interrogatory No. 67

Peoples Gas System's Response to Staff's Interrogatory No. 69

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c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

ISSUE 1: Is Peoples quality of service adequate? (Lowery, Mills)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 2: Is Peoples test year request for permanent rate relief based on a historical test period ending December 31, 2001, and a projected test period ending December 31, 2003, appropriate? (E. Bass)

STAFF: The purpose of the test year is to represent the financial operations of a company during the period in which the new rates will be in effect. With the inclusion of staff's adjustments in this rate proceeding, the historic base year ended December 31, 2001 and the projected test year ending December 31, 2003 are appropriate as they will represent the period in which rates will be in effect.

ISSUE 3: Are the customer growth and them forecasts by rate class appropriate? (Hewitt, Stallcup)

STAFF PROPOSED

STIPULATION: The projected customer growth and them forecasts by rate class contained in MFR Schedule G-2, pages 6a through 8d are appropriate.

RATE BASE

ISSUE 4: Should an adjustment be made to Plant, Accumulated Depreciation, and Depreciation Expense for canceled or delayed projects? (Gardner)

STAFF: Yes. The adjustments to Plant in Service, Accumulated Depreciation, and Depreciation Expense for the historic base year + 1 and the projected test year to reflect canceled and delayed projects are those reflected in staff witness Fletcher's testimony.

Historic Base Year + 1 Adjustments				
Account	Additions	Plant in Service	Depreciation Expense	Accumulated Depreciation
376 Mains-Steel	(\$1,880,632)	(\$940,316)	(\$77,106)	(\$38,553)
376.02 Mains-Plastic	(\$3,307,341)	(\$1,653,671)	(\$85,991)	(\$42,996)
Total	(\$5,187,973)	(\$2,593,987)	(\$163,097)	(\$81,549)
Projected Test Year Adjustments				
376 Mains-Steel	\$1,056,878	(\$1,352,193)	(\$50,031)	\$102,122
376.02 Mains-Plastic	\$1,423,705	(\$2,595,489)	(\$72,674)	\$122,328
Total	\$2,480,583	(\$3,947,682)	(\$122,705)	\$224,450

ISSUE 5: Should an adjustment be made to Plant, Accumulated Depreciation, and Depreciation Expense to reflect the fact that the Company is under-budget for plant additions through mid-2002? (Gardner) (OPC Witness, DeRonne)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 6: Should an adjustment to increase revenues or to decrease plant in service, accumulated depreciation and depreciation expense be made associated with the Company's \$3 million addition to plant in service - revenue mains for projects related to the

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Gulfstream pipeline? (Gardner, Stallcup, Hewitt)
(OPC Witness, DeRonne)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 7: Should an adjustment be made to plant retirements for the projected test year? (Gardner)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 8: Should rate base be reduced to remove inactive service lines that have been inactive for more than five years? (Gardner, Mills)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 9: Should an adjustment be made to plant for meter and regulator cost savings related to strategic alliances? (Gardner)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 10: Should an adjustment be made to reduce Plant, Accumulated Depreciation, Depreciation Expense, and other expenses to reflect non-utility operations? (L. Romig, Gardner)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 11: What is the appropriate amount of Construction Work in Progress (CWIP) for the projected test year? (L. Romig, Mills)

STAFF: The appropriate amount of CWIP to be included in the projected test year is \$21,277,545.

ISSUE 12: What is the appropriate projected test year Total Plant? (L. Romig)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 13: What is the appropriate projected test year Depreciation Reserve? (Gardner)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues, and the results of the implementation of the new depreciation rates pursuant to Order No. PSC-02-1492-PAA-GU.

ISSUE 14: Should an adjustment be made to working capital for Materials and Supplies to reflect the full impacts of the inventory reductions resulting from strategic alliances and actual reductions in 2002? (E. Bass) (OPC Witness, DeRonne)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 15: Should conservation overrecoveries be included in the calculation of working capital? (L. Romig)

STAFF PROPOSED STIPULATIONS: Yes. Conservation overrecoveries should be included in working capital which results in a \$252,865 reduction in working capital.

ISSUE 16: Has Peoples removed the appropriate amount of Miscellaneous Current Liabilities from working capital? (Kaproth)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 17: What is the appropriate projected test year Working Capital Allowance? (Kaproth)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 18: What is the appropriate projected test year Rate Base? (Kaproth)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

COST OF CAPITAL

ISSUE 19: What is the appropriate return on common equity for the projected test year? (D. Draper)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 20: What is the appropriate equity ratio? (D. Draper) (OPC Witness, Cicchetti)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 21: What is the appropriate cost of long-term and short-term debt? (D. Draper) (OPC Witness, Cicchetti)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 22: What is the appropriate amount of accumulated deferred taxes to include in the capital structure? (Kenny)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 23: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure? (Kenny)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 24: Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral? (Kenny)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 25: Have rate base and capital structure been reconciled appropriately? (D. Draper)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 26: What is the appropriate weighted average cost of capital for the projected test year? (D. Draper)

STAFF: Staff takes no position at this time pending further development of the record.

REVENUES

ISSUE 27: Has Peoples properly removed PGA revenues, expenses, and taxes-other from the projected test year? (L. Romig)

STAFF PROPOSED STIPULATION: Yes. Peoples properly removed \$96,037,188 in PGA revenues, \$95,556,775 in gas costs and \$480,413 in revenue related taxes from the projected test year.

ISSUE 28: Has Peoples properly removed conservation revenues, expenses, and taxes-other from the projected test year? (L. Romig)

STAFF PROPOSED STIPULATION: Yes. Since People's did not include conservation revenues, expenses or taxes - other in the projected test period no adjustment is necessary.

ISSUE 29: Should an adjustment be made to revenues to recognize the new credit card usage charge? (L. Romig)

STAFF: No adjustment is required since the proposed usage charge is included in the Company's rate design as Other Operating Revenues. These charges are similar to Return Check Charges and Reconnection Charges which are included in Other Operating Revenues and are considered in reducing the overall cost of service.

ISSUE 30: Should revenues be adjusted to correct for an understatement in projected test year revenues? (Romig)

STAFF PROPOSED

STIPULATION: Yes. Revenues should be increased \$75,485 to correct for a mathematical error in calculating revenues, which resulted in an understatement in projected test year 2003 revenues.

ISSUE 31: Should Off-System Sales be excluded from Jurisdictional Operating Revenues? (E. Bass, L. Romig)

STAFF: Off-System Sales revenues should be shared on a 75%/25% basis between the customers and Company. The 75% customer share would flow back to the customers as a credit to the cost of gas in the purchased gas adjustment clause. The Company would retain the remaining 25% as operating revenues above the line. For purposes of setting rates in this docket, operating revenues should be increased \$500,000 in the projected 2003 test year. The effective date for the above sharing shall be with the implementation of any tariff changes in this docket.

ISSUE 32: What is the appropriate amount of projected test year total Operating Revenues? (L. Romig)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

EXPENSES

ISSUE 33: Should an adjustment be made to recognize any gains on disposition of utility plant? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. The \$346,466 gain on the sale of property located at 2951 SW 1st Terrace in Ft. Lauderdale should be amortized over 4 years beginning January 1, 2003, or a reduction in operating expenses of \$86,617. In addition working capital should be reduced \$303,157.

ISSUE 34: Are the trend rates used by Peoples to calculate projected O&M expenses appropriate? (Hewitt, Lester, D. Draper)

STAFF PROPOSED

STIPULATION: The trend rates contained in MFR Schedule G-2, page 231 should be adjusted to reflect OPC's CPI Inflation trend factor of 2 percent for 2002 and 2003. Adoption of this change impacts the Inflation Only and the Customer Growth X Inflation trend factors. Note that this stipulation pertains only to the appropriateness of the trend factors themselves. The appropriateness of the application of these trend factors is addressed in Issue 35. This change results in the following trend factors:

<u>Trend Rates</u>	<u>2002</u>	<u>2003</u>
Payroll Only	3.00%	3.00%
Customer Growth X Pay Change	7.63%	8.09%
Customer Growth X Inflation	6.59%	7.04%
Inflation Only	2.00%	2.00%
Customer Growth	4.50%	4.94%

ISSUE 35: Has Peoples used the appropriate trend basis for each O&M account? (E. Bass, Kaproth)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 36: Should the projected test year O&M expense be adjusted for the effect of any changes to the trend factors? (E. Bass, Kaproth)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 37: Should an adjustment be made to reduce expenses to reflect non-utility operations? (L. Romig)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 38: Should an adjustment be made to the allocation of inter-company costs? (Kaproth, E. Bass)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 39: Should an adjustment be made for lobbying expenses? (E. Bass)

STAFF: Yes. For the historic base year 2001, Account 930 Miscellaneous General Expenses reflects \$9,039 in lobbying expenses included in the Florida Natural Gas Association membership dues. Upon trending the projected test year 2003 should be reduced \$9,526 to remove lobbying expenses.

ISSUE 40: What is the appropriate amount of rate case expense and what is the appropriate amortization period for that expense? (Kaproth)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 41: Should an adjustment be made to bad debt expense? (L. Romig, E. Bass)

STAFF PROPOSED

STIPULATION: Yes. Bad Debt Expense, account 904, for the projected 2003 test year should be reduced \$633,606 to reflect a 4 year average of net write-off's as a percent of revenues, excluding off system sales.

ISSUE 42: Should an adjustment be made for charitable contributions? (E. Bass)

STAFF: Yes. For the historic base year 2001, the following accounts reflect charitable contributions. After trending the following accounts, the projected test year 2003 should be reduced to remove charitable contributions.

Account	2001	2003
912 Demo. and Selling	\$14,335	\$16,677
913 Adv. Expenses	\$30,870	\$32,534
930 Misc. General	\$145	\$153

ISSUE 43: Should an adjustment be made to remove image building or other inappropriate advertising expenses? (Kaproth, E. Bass)

STAFF: Yes. For the historic base year 2001, the following accounts reflect image building advertising expenses. After trending the following accounts, the projected test year 2003 should be reduced to remove image building advertising.

Account	2001	2003
912 Demo. and Selling	\$15,168	\$17,646
913 Advertising Exp.	\$32,650	\$34,410

ISSUE 44: Should an adjustment be made to remove expenses for company parties, picnics, or similar social company activities? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. Based on Audit Disclosure No. 6 in the Staff Audit Report, Account 921 should be reduced \$17,253 to remove employee dinners and account 926 should be reduced \$10,190 for tuition reimbursement for non Peoples employees in 2001 expenses. Account 921 should be reduced \$19,940 and account 926 should be reduced \$11,777 in the projected 2003 test year after application of the trend factors.

ISSUE 45: Should an adjustment be made for Economic Development Activities? (E. Bass)

STAFF: Yes. For the historic base year 2001, the following accounts reflect the non-allowable portion of economic development expenses. After trending the following accounts, the projected test year 2003 should be reduced for the non-allowable portion of economic development expenses in accordance with Commission Rule 25-7.042, Florida Administrative Code.

Account	2001	2003
912 Demo. And Selling	\$4,033	\$4,692
913 Advertising Exp.	\$1,618	\$1,705
930 Misc. General	\$1,941	\$2,046

ISSUE 46: Is the Company's "Other Not Trended" adjustment for increased postage costs reasonable? (E. Bass)

STAFF: No. The company inadvertently failed to increase its projected test year 2003 postage costs for customer growth. The other not trended portion of Account 903 Customer Records and Collection Expenses should be increased by \$53,436 to correctly reflect the increase in postage costs due to the increase in customer growth.

ISSUE 47: Should payroll expense and related costs such as payroll taxes be reduced to reflect the decline in the number of employees? (L. Romig) (OPC Witness, Schultz)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 48: Should cost associated with incentive compensation be reduced? (E. Bass) (OPC Witness, Schultz, DeRonne)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 49: Is the Company's "Other Not Trended" adjustment for Outsourcing Cost in its sales and marketing function reasonable? (Kaproth, E. Bass)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 50: Should the Commission order a further investigation into the relationship between Peoples and TECO Partners, an affiliated Company? (Kaproth, E. Bass) (OPC Witness, DeRonne)

STAFF: No. If the Commission should deem an investigation be performed, staff believes it would be more appropriate to address this in a separate proceeding.

ISSUE 51: Should an adjustment be made to rent expense? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. Account 931 Rents for 2001 should be reduced \$22,636 and \$23,856 in the projected 2003 test year to remove rent on facilities which have been replaced with Company owned facilities.

ISSUE 52: Is the Company's "Other Not Trended" adjustment for the Customer Retention Program included in Miscellaneous Sales Expense appropriate? (Kaproth)

STAFF: No. The \$250,000 for the Customer Retention Program should be removed from the projected 2003 test year.

ISSUE 53: Should an adjustment be made to periodic meter and regulator change-out expense for cost savings related to the implementation of the meter sampling plan and meter sampling rule? (Kaproth, Mills)

STAFF: Staff takes no position at this time pending further development of the record.

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ISSUE 54: Is the Company's "Other Not Trended" adjustments to Account 921 - Office Supplies and Expenses reasonable? (E. Bass)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 55: Is the Company's "Other Not Trended" allocation adjustments to Account 922 - A&G Transferred reasonable? (Kaproth)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 56: Is the Company's "Other Not Trended" adjustment to Account 926 - Pensions and Benefits reasonable? (E. Bass)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 57: Is the Company's "Other Not Trended" adjustment to Account 930 - Miscellaneous General Expenses for natural gas technical research appropriate? (Kaproth)

STAFF: No. An adjustment should be made to reduce Account 930 - Miscellaneous General Expenses by \$199,373 in the projected 2003 test year.

ISSUE 58: What is the appropriate accounting treatment and annual amortization to recover estimated clean-up costs of Peoples manufactured gas plant sites? (L. Romig, E. Bass)

STAFF PROPOSED

STIPULATION: Peoples should continue to accrue \$640,000 annually and continue to use reserve accounting to recover the estimated clean-up costs as ordered by the Commission in Docket No. 980434-GU by Order No. PSC-98-0739-FOF-GU, issued May 28, 1998.

ISSUE 59: What is the appropriate amount of projected test year O&M Expense? (E. Bass)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 60: What is the appropriate amount of projected test year Depreciation and Amortization Expense? (Gardner)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues, and the results of the implementation of the new depreciation rates pursuant to Order No. PSC-02-1492-PAA-GU.

ISSUE 61: What is the appropriate amount of Taxes Other Than Income Taxes? (Kenny)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 62: What is the appropriate Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization? (Kenny)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 63: What is the appropriate level of Total Operating Expenses for the projected test year? (E. Bass)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 64: What is the appropriate amount of projected test year Net Operating Income? (E. Bass)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 65: What is the appropriate projected test year revenue expansion factor to be used in calculating the

revenue deficiency. (L. Romig) (OPC Witness, Schultz)

STAFF PROPOSED

STIPULATION: The appropriate revenue expansion factor to be used in calculating the revenue deficiency is 1.6429 after reducing the Bad Debt component from .4429% to .4027%.

ISSUE 66: What is the appropriate projected test year revenue deficiency? (E. Bass)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 67: Should any portion of the \$1,461,000 interim increase granted by Order No. PSC-02-1227-FOF-GU, issued September 9, 2002, be refunded to customers? (Kaproth)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 68: Should Peoples be required to submit, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that will be required as a result of the Commission's findings in this rate case? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. Peoples should be required to submit, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that will be required as a result of the Commission's findings in this rate case.

RATE DESIGN AND COST OF SERVICE

ISSUE 69: Are Peoples' estimated revenues from sales of gas by rate class at present rates for the projected test year appropriate? (Springer)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 70: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes? (Wheeler, Springer)

STAFF PROPOSED

STIPULATION: The appropriate cost of service methodology is contained in Peoples' MFR Schedule H, adjusted for the following:

1. The Commission vote affecting the total revenue requirement granted Peoples, including rate base, expenses, and net operating income.
2. The corrections to Revenues at Present Rates for the projected test year reflected in Peoples' Response to Staff Interrogatory No. 125.
3. The classification of Construction work in Progress into Customer and Capacity components should be made based on the same proportions with which total distribution plant is classified.
4. The classification of Account 880 - Other Expenses should be corrected to reflect the same proportionate classification as that used for Account No. 387.
5. The classification of Account No. 894 - Maintenance of Other Equipment should be corrected to reflect the same proportionate classification as that used for Account No. 387.

ISSUE 71: If the Commission grants a revenue increase to Peoples, how should the increase be allocated to the rate classes? (Wheeler)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 72: Is Peoples' proposal to apply uniform rates and service charges to all customers, including customers formerly served by West Florida Gas, appropriate? (E. Draper)

STAFF: Yes.

ISSUE 73: Should any increase in rates for the customers of the former West Florida Natural Gas Company be phased in over several years? (E. Draper)

STAFF: No.

ISSUE 74: What are the appropriate Miscellaneous Service Charges? (Baxter)

STAFF PROPOSED

<u>STIPULATION:</u>	Initial Connection - Residential	\$35.00 initial, \$15.00 for each addnl. meter
	Initial Connection - Commercial	\$75.00 initial, \$15.00 for each addnl. meter
	Reconnection - Residential	\$60.00 initial, \$15.00 for each addnl. meter
	Reconnection - Commercial	\$ 1 0 0 . 0 0 initial, \$15.00 for each addnl. meter
	Collection in Lieu of Disconnect	\$20.00
	Change of Account	\$20.00
	Pool Manager Termination Fee	\$30.00
	Returned Check Charge	5% or \$25.00

Temporary Disconnect Charge-Addressed in Issue 80

Failed Trip Charge-Addressed in Issue 82
Payment by Credit Card Charge-Addressed in Issue 81

ISSUE 75: What are the appropriate Customer Charges?
(Wheeler)

<u>STAFF:</u>	Residential Service	\$ 10.00
	Small General Service	\$ 20.00
	General Service 1	\$ 30.00
	General Service 2	\$ 35.00
	General Service 3	\$ 45.00
	General Service 4	\$ 85.00
	General Service 5	\$150.00
	Small Interruptible Service	\$150.00
	Interruptible Service	\$225.00
	Interruptible Service Lg. Volume	\$225.00
	Natural Gas Vehicle Service	\$ 35.00
	Wholesale Service	\$100.00

ISSUE 76: What are the appropriate per therm Distribution Charges? (Wheeler)

STAFF: This is a fallout issue and will be based upon the calculations and decisions of other issues.

ISSUE 77: Are Peoples' proposed customer classes and riders and their associated therm requirements appropriate? (Springer)

STAFF PROPOSED STIPULATION:

Yes. Peoples' proposal to combine the customer classes and riders of its West Florida and non-West Florida divisions into uniform rates for the entire company, and to restructure its rates in order to group customers based on their load profiles and usage characteristics is appropriate.

ISSUE 78: Is Peoples' proposed methodology for billing interruptible customers for excess gas taken during a period of interruption appropriate? (Baxter)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 79: Is Peoples' proposal to collect the monthly Interruptible Transportation service administration fee on a per-meter basis appropriate? (E. Draper)

STAFF PROPOSED

STIPULATION: Yes.

ISSUE 80: Is Peoples' proposed new temporary turn-off charge appropriate? (Wheeler)

STAFF PROPOSED

STIPULATION: Yes. The \$25.00 charge is cost-based and recovers the additional costs caused by those customers who have their service turned off temporarily.

ISSUE 81: Is Peoples' proposed new credit card use charge appropriate? (Baxter)

STAFF PROPOSED

STIPULATION: Yes. The charge of 3.5% of the billed amount is cost-based, and appropriately recovers the additional costs of credit card transactions from those customers who opt to pay by credit card.

ISSUE 82: Is Peoples' proposed new failed trip charge appropriate? (Baxter)

STAFF PROPOSED

STIPULATION: Yes. The proposed \$15.00 charge is cost-based and recovers the costs caused by customers who fail to keep a scheduled appointment with the company's employee, agent or representative.

ISSUE 83: Is Peoples Gas System's proposed change to the definition of Maximum Allowable Construction Cost appropriate? (Wheeler)

STAFF: No.

ISSUE 84: What is the appropriate effective date for Peoples Gas Systems revised rates and charges? (Wheeler)

STAFF PROPOSED

STIPULATION: Peoples' revised rates and charges should become effective for meter readings made on or after 30 days from the date of the final Commission vote approving the rates and charges.

ISSUE 85: Is the proposed change to the definition of Weighted Average Cost of Capacity contained in Peoples' Individual Transportation Service Rider appropriate? (Wheeler)

STAFF: Staff takes no position at this time pending further development of the record.

ISSUE 86: Should this docket be closed? (Vining, L. Romig, E. Bass)

STAFF: This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired.

SUMMARY OF PROPOSED STIPULATED ISSUES:

ISSUE 3: Are the customer growth and therm forecasts by rate class appropriate? (Hewitt, Stallcup)

STAFF PROPOSED

STIPULATION: The projected customer growth and therm forecasts by rate class contained in MFR Schedule G-2, pages 6a through 8d are appropriate.

ISSUE 15: Should conservation overrecoveries be included in the calculation of working capital? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. Conservation overrecoveries should be included in working capital which results in a \$252,865 reduction in working capital

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ISSUE 34: Are the trend rates used by Peoples to calculate projected O&M expenses appropriate? (Hewitt, Lester, D. Draper)

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2003. Adoption of this change impacts the Inflation Only and the Customer Growth X Inflation trend factors. Note that this stipulation pertains only to the appropriateness of the trend factors themselves. The appropriateness of the application of these trend factors is addressed in Issue 35. This change results in the following trend factors:

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ISSUE 41: Should an adjustment be made to bad debt expense?
(L. Romig, E. Bass)

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ISSUE 44: Should an adjustment be made to remove expenses for company parties, picnics, or similar social company activities? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. Based on Audit Disclosure No. 6 in the Staff Audit Report, Account 921 should be reduced \$17,253 to remove employee dinners and account 926 should be reduced \$10,190 for tuition reimbursement for non Peoples employees in 2001 expenses. Account 921 should be reduced \$19,940 and account 926 should be reduced \$11,777 in the projected 2003 test year after application of the trend factors.

ISSUE 51: Should an adjustment be made to rent expense? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. Account 931 Rents for 2001 should be reduced \$22,636 and \$23,856 in the projected 2003 test year to remove rent on facilities which have been replaced with Company owned facilities.

ISSUE 58: What is the appropriate accounting treatment and annual amortization to recover estimated clean-up costs of Peoples manufactured gas plant sites? (L. Romig, E. Bass)

STAFF PROPOSED

STIPULATION: Peoples should continue to accrue \$640,000 annually and continue to use reserve accounting to recover the estimated clean-up costs as ordered by the Commission in Docket No. 980434-GU by Order No. PSC-98-0739-FOF-GU, issued May 28, 1998.

ISSUE 65: What is the appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency. (L. Romig) (OPC Witness, Schultz)

STAFF PROPOSED

STIPULATION: The appropriate revenue expansion factor to be used in calculating the revenue deficiency is 1.6429 after reducing the Bad Debt component from .4429% to .4027%.

ISSUE 68: Should Peoples be required to submit, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that will be required as a result of the Commission's findings in this rate case? (L. Romig)

STAFF PROPOSED

STIPULATION: Yes. Peoples should be required to submit, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return

reports, published financial statements, and books and records that will be required as a result of the Commission's findings in this rate case.

ISSUE 70: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes? (Wheeler, Springer)

STAFF PROPOSED

STIPULATION: The appropriate cost of service methodology is contained in Peoples' MFR Schedule H, adjusted for the following:

1. The Commission vote affecting the total revenue requirement granted Peoples, including rate base, expenses, and net operating income.
2. The corrections to Revenues at Present Rates for the projected test year reflected in Peoples' Response to Staff Interrogatory No. 125.
3. The classification of Construction work in Progress into Customer and Capacity components should be made based on the same proportions with which total distribution plant is classified.
4. The classification of Account 880 - Other Expenses should be corrected to reflect the same proportionate classification as that used for Account No. 387.
5. The classification of Account No. 894-Maintenance of Other Equipment should be corrected to reflect the same proportionate classification as that used for Account No. 387.

ISSUE 74: What are the appropriate Miscellaneous Service Charges? (Baxter)

STAFF PROPOSED

<u>STIPULATION:</u>	Initial Connection - Residential	\$35.00 initial, \$15.00 for each addnl. meter
	Initial Connection - Commercial	\$75.00 initial, \$15.00 for each addnl. meter
	Reconnection - Residential	\$60.00 initial, \$15.00 for each addnl. meter
	Reconnection - Commercial	\$ 1 0 0 . 0 0 initial, \$15.00 for each addnl. meter
	Collection in Lieu of Disconnect	\$20.00
	Change of Account	\$20.00
	Pool Manager Termination Fee	\$30.00
	Returned Check Charge	5% or \$25.00
	Temporary Disconnect Charge-Addressed in Issue 80	
	Failed Trip Charge-Addressed in Issue 82	
	Payment by Credit Card Charge-Addressed in Issue 81	

ISSUE 77: Are Peoples' proposed customer classes and riders and their associated term requirements appropriate? (Springer)

STAFF PROPOSED

STIPULATION: Yes. Peoples' proposal to combine the customer classes and riders of its West Florida and non-West Florida divisions into uniform rates for the entire company, and to restructure its rates in order to group customers based on their load profiles and usage characteristics is appropriate.

ISSUE 79: Is Peoples' proposal to collect the monthly Interruptible Transportation service administration fee on a per-meter basis appropriate? (E. Draper)

STAFF PROPOSED

STIPULATION: Yes.

ISSUE 80: Is Peoples' proposed new temporary turn-off charge appropriate? (Wheeler)

STAFF PROPOSED

STIPULATION: Yes. The \$25.00 charge is cost-based and recovers the additional costs caused by those customers who have their service turned off temporarily.

ISSUE 81: Is Peoples' proposed new credit card use charge appropriate? (Baxter)

STAFF PROPOSED

STIPULATION: Yes. The charge of 3.5% of the billed amount is cost-based, and appropriately recovers the additional costs of credit card transactions from those customers who opt to pay by credit card.

ISSUE 82: Is Peoples' proposed new failed trip charge appropriate? (Baxter)

STAFF PROPOSED

STIPULATION: Yes. The proposed \$15.00 charge is cost-based and recovers the costs caused by customers who fail to keep a scheduled appointment with the company's employee, agent or representative.

ISSUE 84: What is the appropriate effective date for Peoples Gas Systems revised rates and charges? (Wheeler)

STAFF PROPOSED

STIPULATION: Peoples' revised rates and charges should become effective for meter readings made on or after 30 days from the date of the final Commission vote approving the rates and charges.

e. Pending Motions

1. Motion for Temporary Protective Order filed by Peoples Gas System on October 4, 2002.

2. Motion to Strike Testimony Or in the Alternative Motion to Compel Production and Responsive Answers to Discovery Requests and to Extend Filing Date for Testimony filed by the Office of Public Counsel on October 7, 2002.

3. Second Motion for Temporary Protective Order filed by Peoples Gas System on October 11, 2002.

4. Motion to Strike Rebuttal Testimony of Mark A. Cicchetti Or in the Alternative for Leave to File Surrebuttal Testimony filed by Peoples Gas System on November 14, 2002.

f. Pending Confidentiality Claims or Requests

There are no pending confidentiality claims or requests.

g. Compliance with Order No. PSC-02-1031-PCO-GU

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 14th day of November, 2002.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a rate
increase by Peoples Gas System.

DOCKET NO. 020384-GU

DATED: NOVEMBER 14, 2002

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one true and correct copy of STAFF'S
PREHEARING STATEMENT has been furnished to the following by U. S.

Mail this 14th day of November, 2002:

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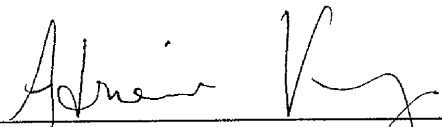
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CERTIFICATE OF SERVICE
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